

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68245; File No. SR-FICC-2012-07]

### Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change Relating to Enhancements That the Mortgage-Backed Securities Division Intends To Implement to Its Services and Certain Other Clarifications and Corrections to Its Rules

November 15, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder<sup>2</sup> notice is hereby given that on November 6, 2012, the Fixed Income Clearing Corporation (“FICC” or the “Corporation”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by FICC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization’s Statement of Terms of Substance of the Proposed Rule Change

The proposed rule changes to the Rules of the Mortgage-Backed Securities Division (“MBSD”) of FICC relate to enhancements that MBSD intends to implement to its services and certain other clarifications and corrections to its Rules. As noted below, some of the proposed changes do not require revisions to the MBSD Rules.

#### II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FICC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FICC has prepared summaries, set forth in sections (A), (B) and (C) below, of the most significant aspects of such statements.<sup>3</sup>

#### (A) Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The proposed rule changes relate to certain enhancements that MBSD intends to implement to its services. In addition, FICC proposes to make certain corrections and clarifications to the MBSD Rules. The proposed changes are described below.

##### 1. Expansion of Pool Netting To Include Pool Instructs From the Previous Settlement Months

MBSD proposes to further extend pool netting benefits to its members by capturing Pool Instructs<sup>4</sup> submitted for allocations made after the traded pool’s settlement month has passed. The proposed changes allow more activity into the pool net which results in fewer settlements.

Currently, MBSD’s pool netting process only nets Pool Instructs for the current delivery date if their corresponding contractual settlement dates (“CSD”) are also in the current month.<sup>5</sup> For example, with respect to a delivery date of August 14, 2012, MBSD’s pool netting process would only net Pool Instructs having a CSD ranging from August 1, 2012 through August 14, 2012 and having a delivery date of August 14, 2012. As such, only Pool Instructs having a CSD in the current month will be included in pool netting.

The proposed new process will net Pool Instructs from previous settlement months that are submitted for delivery dates in the current month. For example, if we assume that today is August 13, 2012, and a member submits multiple Pool Instructs all having a CSD equal to July 12, 2012 and a delivery date equal to August 14, 2012, on the evening of August 13th, these Pool Instructs would be netted against each other to arrive at a single pool net settlement position for the July 12, 2012 CSD and August 14th delivery date.

The proposed changes do not require revisions to the text of the MBSD Rules.

##### 2. Notification of Settlement for Specified Pool Trades

A Notification of Settlement (“NOS”) is an instruction submitted to the Corporation by a purchasing or selling clearing member which reflects the settlement of a Settlement Balance

Order Trade, Trade-for-Trade Transaction or Specified Pool Trade (“SPT”).<sup>6</sup> MBSD is proposing to change the manner in which NOS processing occurs for SPTs so that it follows similar processing rules as those applied to NOS for Settlement Balance Order Trades and Trade-for-Trade Transactions.

Currently, MBSD Rule 10 Section 2 states that the trade details for a NOS submitted by both parties of a SPT must fully match in order for the clearance of the SPTs to be reflected on the member’s Purchase and Sale Report<sup>7</sup> or both parties must submit a cancellation of the transaction in order for the transaction to be deleted from each party’s respective Open Commitment Report.<sup>8</sup>

MBSD proposes to enhance the NOS for SPTs by no longer requiring the current face value submitted on each member’s NOS to exactly match the current face value of the SPT. Instead, members will have the ability to submit and match multiple NOS to reduce the SPT current face until it is fully settled. For example, if a SPT has a current face value of \$125MM and the pool number of the trade has a factor of 0.975, FICC will accept either (a) one piece of NOS for \$125,000,000 or (b) three pieces of NOS for \$48,750,000, \$48,750,000 and \$27,500,000. The current face values equal an original face settlement value of \$50,000,000, \$50,000,000 and \$28,205,128.

In addition to the above, MBSD will apply a tolerance of  $\pm$  \$1 when matching buy and sell NOS for SPT trades to account for differences in rounding conventions used by members to convert original face to current face on their NOS.

The proposed changes will make NOS for SPTs similar to NOS for Settlement Balance Order Trades and Trade-for-Trade Transactions whereby matching is permitted within a tolerance and multiple NOS may be submitted and matched separately until the trade is fully settled.

The proposed changes require revisions to the text of the MBSD Rules.

##### 3. Comparison of Dummy Pool Number to Valid Pool Number

FICC supports the submission of a defined generic or “dummy” pool

<sup>6</sup> See MBSD Rule 1, Definitions.

<sup>7</sup> “Purchase and Sale Report” is defined as the report furnished by the Corporation reflecting a member’s Compared Trades in Eligible Securities.” See MBSD Rule 1, Definitions.

<sup>8</sup> “Open Commitment Report” is defined as the report furnished by the Corporation to members reflecting such member’s open commitments in the Clearing System. See MBSD Rule 1, Definitions.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The Commission has modified the text of the summaries prepared by FICC.

<sup>4</sup> A Pool Instruct is an input used by a member to submit pool details directly into the Real-Time Trade Matching ® (“RTTM”) system for bilateral matching and assignment to a corresponding open TBA position as a prerequisite to the pool netting process.

<sup>5</sup> See MBSD Rule 8 Section 3.

number on NOS instead of a valid pool number. A dummy pool is a standard convention used by members when the actual pool number is not readily available to some members. Currently, the pool number is a matching criterion on NOS. Consequently, if one member submits a dummy pool number and the other enters a valid pool number the NOS will not compare even though all of the other matching criteria are the same. In an effort to address this, FICC is proposing to change its processing in order to allow matching of NOS when all mandatory terms compare and one member submits a dummy pool number and the other member submits a valid pool.

The proposed changes do not require revisions to the text of the MBSR Rules.

#### 4. Automatically Marking Certain Open TBA Trades as Fully Settled

Mortgage-backed securities trades settle with an industry-accepted variance of 0.01% (*i.e.*, \$100 per \$1MM). When FICC applies NOS to open trades, it does so using the upper limit of the variance to ensure that trades are not marked as fully settled until all NOS have been received and processed by FICC. However, because trades may settle using any value within the variance, FICC's processing may leave residual trade amounts open on its books for trades that have actually been fully settled. To address this, FICC is proposing to automatically generate internal NOS which will mark the residual trade as fully settled. The FICC generated NOS will occur on the last business day of each month, in every instance where a member has a To-Be-Announced ("TBA") trade with an open par that falls below an established threshold. The threshold is initially contemplated to be \$1000 par, however, this may be modified following member feedback. All changes to the threshold will be provided in advance to members via Important Notice.

The proposed changes require revisions to the text of the MBSR Rules.

#### 5. Corrections and Clarification to the MBSR Rules

The MBSR Rules define the term "Fully Compared" as "\* \* \* trade input submitted by a Broker matches trade input submitted by each Dealer on whose behalf the Broker is acting the Net Position Match Mode."<sup>9</sup> The phrase "in accordance with" was inadvertently deleted from this definition when it was revised in connection with Amendment

No. 1 to SR-FICC-2008-01.<sup>10</sup> FICC proposes to restore this phrase so that the definition states the following: "\* \* \* trade input submitted by a Broker matches trade input submitted by each Dealer on whose behalf the Broker is acting in accordance with the Net Position Match Mode."

In the second to last paragraph of MBSR Rule 2A Section 1, there is a sentence which states that the Corporation will determine whether the applicants in "categories (g and i)" of the referenced Section will be designated as tier one or tier two members. FICC proposes to correct the typographical error in the cross-reference so that it instead references "categories (g) and (i)."

#### Implementation

FICC proposes to implement the proposed changes relating to the MBSR enhancements during the first quarter of 2013 pending rule filing approval from the Securities and Exchange Commission (the "Commission"). The proposed changes relating to the clarifications and corrections of the referenced rules will be effective immediately upon receipt of rule filing approval.

FICC believes that the proposed rule changes are consistent with Section 17A of the Act, and the rules and regulations thereunder, because (1) the expansion of the pool netting system extends the netting benefits to clearing members by capturing allocations made after the traded pools current settlement month, (2) the change in NOS processing for SPTs creates efficiency through the standardization of NOS processing for TBA trades, (3) automatically marking certain TBA trades as fully settled improves the monitoring and reporting of trade settlement status and (4) allowing the comparison of dummy Pool number to valid pool number provides for timelier matching of NOS. Each of these enhancements creates a more efficient netting system which promotes the prompt and accurate clearance and settlement for securities transactions. Furthermore, the clarifications and corrections to the MBSR Rules ensure that the Rules are accurate.

#### (B) Self-Regulatory Organization's Statement on Burden on Competition

FICC does not believe that the proposed rule change will have any impact or impose any burden on competition.

#### (C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

Written comments relating to the proposed rule changes have not been solicited or received. FICC will notify the Commission of any written comments received by FICC.

#### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FICC-2012-07 on the subject line.

##### *Paper Comments:*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-FICC-2012-07. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the

<sup>9</sup> See MBSR Rule 1, Definitions.

<sup>10</sup> Securities Exchange Act Release No. 34-66550 (March 9, 2012); 77 FR 15155 (March 14, 2012).

proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Section, 100 F Street NE., Washington, DC 20549-1090, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing will also be available for inspection and copying at the principal office of FICC and on FICC's Web site at [http://www.dtcc.com/downloads/legal/rule\\_filings/2012/ficc/SR\\_FICC\\_2012\\_07.pdf](http://www.dtcc.com/downloads/legal/rule_filings/2012/ficc/SR_FICC_2012_07.pdf). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FICC-2012-07 in the caption above and should be submitted on or before December 12, 2012.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**Kevin O'Neill,**  
Deputy Secretary.

[FR Doc. 2012-28263 Filed 11-20-12; 8:45 am]

**BILLING CODE 8011-01-P**

## SMALL BUSINESS ADMINISTRATION

[Disaster Declaration #13365 and #13366]

### New York Disaster Number NY-00130

**AGENCY:** U.S. Small Business Administration.

**ACTION:** Amendment 2.

**SUMMARY:** This is an amendment of the Presidential declaration of a major disaster for the State of New York (FEMA-4085-DR), dated 10/30/2012.

*Incident:* Hurricane Sandy.

*Incident Period:* 10/27/2012 and continuing.

*Effective Date:* 11/10/2012.

*Physical Loan Application Deadline Date:* 12/31/2012.

*EIDL Loan Application Deadline Date:* 07/31/2013.

**ADDRESSES:** Submit completed loan applications to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.

**FOR FURTHER INFORMATION CONTACT:** A. Escobar, Office of Disaster Assistance, U.S. Small Business Administration,

409 3rd Street SW., Suite 6050, Washington, DC 20416.

**SUPPLEMENTARY INFORMATION:** The notice of the Presidential disaster declaration for the State of NEW YORK, dated 10/30/2012 is hereby amended to include the following areas as adversely affected by the disaster:

Primary Counties: (Physical Damage and Economic Injury Loans): Orange, Putnam, Sullivan, Ulster.

Contiguous Counties: (Economic Injury Loans Only):

New York: Columbia, Delaware, Dutchess, Greene.

New Jersey: Sussex.

Pennsylvania: Pike, Wayne.

All other information in the original declaration remains unchanged.

(Catalog of Federal Domestic Assistance Numbers 59002 and 59008)

**James E. Rivera,**

*Associate Administrator for Disaster Assistance.*

[FR Doc. 2012-28237 Filed 11-20-12; 8:45 am]

**BILLING CODE 8025-01-P**

## SMALL BUSINESS ADMINISTRATION

[Disaster Declaration #13378 and #13379]

### Rhode Island Disaster Number RI-00011

**AGENCY:** U.S. Small Business Administration.

**ACTION:** Amendment 1.

**SUMMARY:** This is an amendment of the Presidential declaration of a major disaster for Public Assistance Only for the State of Rhode Island (FEMA-4089-DR), dated 11/03/2012.

*Incident:* Hurricane Sandy.

*Incident Period:* 10/26/2012 through 10/31/2012.

*Effective Date:* 11/10/2012.

*Physical Loan Application Deadline Date:* 01/02/2013.

*Economic Injury (EIDL) Loan Application Deadline Date:* 08/05/2013.

**ADDRESSES:** Submit completed loan applications to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.

**FOR FURTHER INFORMATION CONTACT:** A. Escobar, Office of Disaster Assistance, U.S. Small Business Administration, 409 3rd Street SW., Suite 6050, Washington, DC 20416.

**SUPPLEMENTARY INFORMATION:** The notice of the President's major disaster declaration for Private Non-Profit organizations in the State of RHODE ISLAND, dated 11/03/2012, is hereby amended to include the following areas as adversely affected by the disaster.

Primary Counties: Kent.

All other information in the original declaration remains unchanged.

(Catalog of Federal Domestic Assistance Numbers 59002 and 59008)

**James E. Rivera,**

*Associate Administrator for Disaster Assistance.*

[FR Doc. 2012-28239 Filed 11-20-12; 8:45 am]

**BILLING CODE 8025-01-P**

## DEPARTMENT OF STATE

[Public Notice 8090]

### Advisory Committee on Historical Diplomatic Documentation; Notice of Meeting

**SUMMARY:** The Advisory Committee on Historical Diplomatic Documentation's meeting location on December 10-11, 2012 has changed from that provided in the previous **Federal Register** Notice at 77 FR 5292, February 2, 2012. The new location will be at the National Archives in College Park, MD on December 10, 2012; and in room 1205 of the Harry S. Truman building of Main State on December 11, 2012. The Committee's sessions in the morning and afternoon of Monday, December 10, 2012 will be closed in accordance with Section 10(d) of the Federal Advisory Committee Act (Pub. L. 92-463). The agenda calls for discussions of agency declassification decisions concerning the *Foreign Relations* series and other declassification issues. These are matters properly classified and not subject to public disclosure under 5 U.S.C. 552b(c)(1) and the public interest requires that such activities be withheld from disclosure.

The Committee will meet in open session from 11:00 a.m. until 12:00 noon on Tuesday, December 11, 2012, in the Department of State, 2201 "C" Street NW., Washington, DC, in Conference Room 1205, to discuss declassification and transfer of Department of State records to the National Archives and Records Administration and the status of the *Foreign Relations* series.

Prior notification and a valid government-issued photo ID (such as driver's license, passport, U.S. government or military ID) are required for entrance into the building. Members of the public planning to attend the meeting on December 11, 2012, RSVP to Colby Prevost, Office of the Historian (202-663-1147) no later than December 6, 2012. When responding, please provide date of birth, valid government-issued photo identification number and type (such as driver's license number/

<sup>11</sup> 17 CFR 200.30-3(a)(12).